

Before the  
Illinois Commerce Commission

Docket No. \_\_\_\_\_

In the Matter of

Approval of the Annual Reconciliation  
for and the Resulting Increase in the  
Surcharge For Purchased Water for  
Water Utility Service Sold by  
**Del-Mar Water Company** within  
Lake County

Direct Testimony of

Amanda M. Ross  
Senior Accountant, Regulatory

for

Del-Mar Water Company

March 14, 2003

1 **Q. Please state your name and business address.**

2 A. My name is Amanda M. Ross. My business address is 2335 Sanders Road,  
3 Northbrook, Illinois 60062.

4  
5 **Q. What is your occupation?**

6 A. I am the Senior Accountant of the Regulatory Department for Utilities, Inc. and its  
7 subsidiaries.

8  
9 **Q. Please summarize your professional background?**

10 A. I have been employed by Utilities, Inc. since April of 2002. Since that time I have  
11 been involved in many phases of rate-making in several regulatory jurisdictions. I  
12 am a Certified Public Accountant. I graduated from Purdue University in 2000. I  
13 had two years of public accounting/financial analysis experience prior to joining  
14 Utilities, Inc., and I am a member of the American Institute of Certified Public  
15 Accountants.

16  
17 **Q. Please explain your job responsibilities with Utilities, Inc.?**

18 A. My responsibilities include: financial analysis of individual subsidiaries of Utilities,  
19 Inc., preparation of applications for rate relief, facilitation of commission audits,  
20 and the submission of financial testimony and schedules to support a request for  
21 an increase in rates.

22  
23 **Background**

24  
25 **Q. Please describe Del Mar Water Company.**

26 A. Del-Mar Water Company ("Del-Mar") is a wholly owned subsidiary of Utilities, Inc.  
27 (UI). Water Service corporation (WSC) manages the operation for all of UI's water  
28 and wastewater systems, including Del-Mar. WSC provides management,  
29 administration, engineering, accounting, billing, data processing, and regulatory  
30 services for the utility systems. WSC's expenses are assigned directly to a utility or  
31 distributed to the various companies pursuant to a formula that has been approved  
32 by the Commission.

1 Del-Mar provides water service to approximately 83 customers in Lake County.  
2 Del-Mar purchases its water from the City of Lake Forest and passes on this cost to  
3 its customers through a purchased water surcharge. The current surcharge for  
4 purchased water was approved by the Commission and effective as of September 1,  
5 2002.

6  
7 **Surcharge for Purchased Water Annual Reconciliation**  
8

9 **Q. Ms. Ross, what is the purpose of your testimony here today?**

10 A. Pursuant to Section 655.50 of Title 83 of the Illinois Administrative Code 200, Del-  
11 Mar must file an annual reconciliation of its surcharge for purchased water to the  
12 Commission. The purpose of my testimony is to explain to the Commission the  
13 details of Del-Mar's annual reconciliation of its surcharge for purchased water and  
14 to explain the request of an increase in this surcharge based on this annual  
15 reconciliation. In addition, I will sponsor the Company's financial exhibits.

16  
17 **Q. What is the purpose of the annual reconciliation for Del-Mar's surcharge for**  
18 **purchased water?**

19 A. As previously mentioned Del-Mar purchases its water from the City of Lake Forest  
20 and passes on this cost to its customers through a surcharge for purchased water.  
21 The current surcharge was calculated in accordance with Illinois Administrative  
22 Code using estimates of the cost of purchased water and consumption in gallons.  
23 The annual reconciliation compares actual costs of purchased water to revenue  
24 collected through the surcharge. Any difference between these amounts is used as  
25 a reconciliation component in a revised surcharge calculation in order to recover or  
26 refund monies owed or due, respectively, in the current year.

27  
28 **Q. What period does the annual reconciliation cover?**

29 A. In accordance with Section 655.50 (d) of Title 83 of the Illinois Administrative Code  
30 200, the initial reconciliation year begins with the effective date of the surcharge for  
31 purchased water and ends on December 31 of that year. Therefore, Del-Mar's  
32 reconciliation year begins on September 1, 2002, and ends on December 31, 2002.

33  
34 **Q. Ms. Ross, what was the actual cost of water purchased from the City of Lake**  
35 **Forest in the reconciliation year?**

1 A. The total cost of the water purchased from the City of Lake Forest in the  
2 reconciliation year was \$13,109.42, as indicated in Exhibit 1. These amounts were  
3 derived from invoices received from the City of Lake Forest, which have been  
4 attached to the Petition filed with the Commission.  
5

6 **Q. What was the amount of revenue collected through the current surcharge in**  
7 **the reconciliation year?**

8 A. The revenue arising from the current surcharge in the reconciliation year totals  
9 \$12,264.46, as indicated in Exhibit 2. Billing summaries supporting monthly  
10 revenue collected have been attached to the Petition filed with the Commission.  
11

12 **Q. What is the result of the annual reconciliation of the surcharge for purchased**  
13 **water for Del-Mar?**

14 A. The difference between the actual cost of purchased water and the revenue  
15 collected to cover these costs is \$844.96 as indicated in Exhibit 3. As noted in the  
16 exhibit, the revenue collected was not sufficient to cover all costs of purchased  
17 water. Therefore, this difference of \$844.96 is the reconciliation component of the  
18 surcharge calculation and will be recovered in the current year.  
19

20 **Purchased Water Surcharge Calculation**  
21

22 **Q. How was the current surcharge for purchased water calculated?**

23 A. The current surcharge for purchased water was determined using the following  
24 calculation provided by the Illinois Administrative Code:

$$\text{VC} = \frac{\text{VSC} + \text{Rv} + \text{Ov}}{\text{VBU}}$$

27 Where:

28 VC = Variable charge per variable billing unit (\$ per 1,000 gallons) to be billed  
29 customers during the base period.

30 VSC = Estimated variable charge from the supplier (City of Lake Forest) during  
31 The base period.

32 Rv = Utility-determined reconciliation component for the variable charge.

33 Ov = Commission-ordered adjustment component for the variable charge.

34 VBU = Variable billing units for water to be billed to customers during the base  
35 period expressed in 1,000-gallon increments.

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**Q. Did you use this same calculation in determining a revised surcharge for purchased water?**

A. Yes. As documented in Exhibit 4, the same calculation was used to compute a revised surcharge. However, actual amounts from the reconciliation year for the charges from the supplier (VSC) and the billing units (VBU) were used in the revised calculation. In addition, the reconciliation component (Rv) of \$844.96 calculated in the annual reconciliation was included.

**Surcharge Analysis**

**Q. What is the current surcharge for purchased water at Del-Mar?**

A. The present surcharge for purchased water is \$4.94 per 1,000 gallons. The current average consumption for residential customers in Del-Mar is approximately 6,700 gallons per month. This equates to a monthly surcharge of \$33.10.

**Q. What is the proposed surcharge for purchased water at Del-mar and its impact on the average customer?**

A. The proposed surcharge for purchased water is \$5.04. Based on the average consumption, the customers' monthly surcharge will be \$33.77 or an increase of \$.67 per month.

**Q. Does this conclude your testimony?**

A. Yes it does.

**Del-Mar Water Company****Exhibit 1****Purchased Water Costs****A: For the four months ended 12/31/02**

<u>Date</u>	<u>Invoice Number</u>	<u>Invoice Period</u>	<u>Amount</u>	<u>Consumption (CF)</u>	<u>Consumption (Gal)</u>
Sep-02	008252	6/29/02 - 9/29/02	3,940.82 @	111,323 @	832,693
Oct-02					
Nov-02					
Dec-02	013750	9/30/02 - 12/30/02	9,168.60	259,000	1,937,320
			<u>13,109.42</u>		<u>2,770,013</u>

@ Prorated for the 29 days of September included in this invoice. The total amount of the invoice was \$12,637.80, and the total consumption during the invoice period was 357,000 cubic feet or 2,670,360 gallons.

**Del-Mar Water Company**  
**Purchased Water Revenue Recovered**  
**A: For the four months ended 12/31/02**

**Exhibit 2**

<u>Date</u>	<u>Revenue Recovered</u>
Sep-02	2,998.62
Oct-02	2,899.28
Nov-02	3,187.55
Dec-02	3,179.01
	<u>12,264.46</u>

**Del-Mar Water Company**  
**Purchased Water Surcharge Reconciliation**  
**A: For the four months ended 12/31/02**

**Exhibit 3**

<u>Date</u>	<u>Purchased Water Costs</u>	<u>Revenue Recovered</u>	<u>Difference</u>
Sep-02	3,940.82	2,998.62	-942.20
Oct-02		2,899.28	
Nov-02		3,187.55	
Dec-02	9,168.60	3,179.01	97.24
	<u>13,109.42</u>	<u>12,264.46</u>	<u>-844.96</u>



**Del-Mar Water Company**  
**Revised Purchased Water Surcharge**  
**(including reconciliation component)**  
**A: For the four months ended 12/31/02**

**Exhibit 4**

$$VC = VSC + Rv + Ov / VBU$$

VSC = 13,109.42

Rv= 844.96

Ov= 0

VBU= 2,770

VC= 5.04